

ACCOUNTANCY

Published by
The Society of Incorporated Accountants and Auditors
Incorporated Accountants' Hall
Victoria Embankment
London, W.C.2

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VOL. LII. (Vol. 3 New Series)

OCTOBER, 1940

Number 566

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PROFESSIONAL NOTES

Carrying On

On another page of this issue it is pointed out that a main motive of the enemy's intensified bombing is the dislocation of our economic organisation. The German onslaught on the capital is intended to disrupt our communications and to interfere with the transaction of the nation's business, thus paralysing our war effort. To ensure that he shall be defeated in this aim, it is necessary that the "alert" should not be regarded, as until recently it generally was, as a call to down tools and pens, and to retire into the air-raid shelter. The growth of the "look-out" system, whereby resort to shelter is not made until the danger from raiders is more or less immediate, has meant that a threatened falling off in the output of factories and offices has been averted. Yet even now the practice has not been adopted as generally as it should be, and it is to be hoped that it will only be a matter of days before there will be very few instances of the alert being taken as an invitation to cease work. In the last few days the banks have made a welcome announcement that, except in exceptional cases, they will remain open for the transaction of business after the alert and until the danger is local, while even then their doors will not be locked against customers. Government departments are also adopting the "look-out" system which the Ministry of Aircraft Production, in particular, is urging upon factories. So far, owing to the lack of suitable shelter available at the short notice which the system entails, the Stock Exchange has not been able to follow suit. Indeed, it has rather surprisingly cut still further the number of hours' work that brokers and jobbers can transact by closing at 2 p.m.

instead of 3 p.m. One would welcome a reversal of this step, for it is surely important, even if investors are disinclined to do much Stock Exchange business, that such an essential City institution should not voluntarily restrict its hours of operation at a time like the present.

Building Societies' Income Tax

For some time the building societies had been in negotiation with the Inland Revenue authorities on the question of their liability to income tax. This had, of course, been compounded and under the agreement of 1935, amounted, when the standard rate of tax was 7s. 6d., to 2s. 9½d. in the £. The arrangement now arrived at makes the societies liable at a composite rate of 42-90ths of the standard rate, plus or minus one quarter of the difference between the "statutory reduced rate" and one-half of the standard rate. With a standard rate of 8s. 6d. in the £, this formula gives a rate of 47.6d. plus 2.25d., or 4/1.85d. The fraction "one quarter" is taken in the formula because the investigation which was made in 1937 showed that roughly that proportion of interest paid by the societies was assessable at the statutory reduced rate. A new provision in the agreement allows a society to elect, at any time before July 5, 1941, to be assessed on the actual year's basis instead of on the preceding year's basis. As in the case of individuals, where they may exercise a similar choice, this gives some relief for diminished profits. Accountants will appreciate that the choice involves intricate calculations, and are referred to the text of the agreement (issued by the Building Societies Association). It is essential,

nevertheless, that advantage should be taken of this new provision, wherever it reduces tax liability over a period of years. The societies are confronted with a difficult position, since their profit-earning capacity is now reduced by diminished interest receipts, while to raise mortgage rates or to lower further the rates on deposits and shares introduces large complications.

Mr. Keynes on Our Finances

Last week Mr. J. Maynard Keynes, in a broadcast address, reviewed the present economic and financial position of the country. If Mr. Keynes' views sometimes meet with criticism, they always command respect, and the report of his views published in *The Times* was read with wide interest. Previously Mr. Keynes had cautioned the country in trenchant terms of the risk of serious inflation, but while he reiterates his warning, he finds substantial evidence that there has been no significant degree of budgetary inflation up to date. This considered view, coupled with other relevant facts, is comforting. Domestic prices from the beginning of the War have not risen by more than half the rise in import prices. International prices are now falling and the exchange value of sterling is on a stable basis. The comparative lack of interest in Sir Kingsley Wood's July Budget may in some measure account for the fact that the British public under-estimated the weight of the burden. The purpose of many of the taxes then imposed was anti-inflationary as well as revenue producing. But of more immediate and general interest is Mr. Keynes' statement that the wastage of national resources thus far suffered in the war can easily be exaggerated and he finds more than a few crumbs of comfort in our war experience of currency and foreign trade and central controls. He sees no reason not to anticipate a higher standard of life after the War. Further, and rightly, he bids us to take a rational view of the actual damage from air raids. Even the comparatively heavy destruction in London in the last three weeks has not been much greater than the normal capacity of the building trade to make it good within the same period. If the country suffered as much as a million pounds' worth of damage every night for a year, Mr. Keynes states that we should not have lost more than 4 per cent. of our buildings and their contents, and this loss could be restored with two years' normal good work. But Mr. Keynes ends with a warning—that we are only beginning to put forth our economic strength for War purposes. Individual consumption must decrease and savings and taxation on a greater scale than we have hitherto known are absolutely vital if inflation is to be avoided and the ever-increasing needs of the fighting and civil Defence Services are to be completely met.

Control of Building

Private building is to be controlled under licence, as a measure of economy in both labour and materials. There are, however, certain exceptions from this new requirement. In particular building operations costing less than £500, and work on maintenance and running repairs or on decoration, can be carried through without a licence. Building by local authorities will not be subjected to the licensing machinery, but the usual authority for new works

will be required from the appropriate Government Department, as has been the case for some time. These new regulations come into effect on October 7, and apply to work now in progress as well as new operations. Licensing officers have been appointed in each of twelve regional areas. As a result of these regulations, the major part of building activity will be confined to Government works, which are not subject to restriction, and to essential repairs or rebuilding of property damaged or destroyed by air raids. So far as such rebuilding and repairs are concerned, factories engaged on war work will be the concern of the Chairmen of Local Reconstruction Panels which have been set up all over the country, while the local authorities will have in their hands reconstruction and repairs of other buildings.

Economising Paper

The avoidance of waste and the salvage of materials are of pressing national importance. It is probable that practising firms hold in their storerooms an accumulation of records covering items of professional business long since terminated. The paper represented by these old records would be of much value to the nation at the present time. The difficulty, no doubt, is to differentiate between records which must be kept and those which can be handed to the waste paper merchants. The sorting of old records may be responsible work, and staff can ill be spared for this kind of duty. But with some temporary adjustment of organisation, firms should be able to deal with the accumulations of records to the benefit of our paper supplies. There is also the question of economy in the use of paper. Care and neatness in setting out schedules and reports are an essential part of professional technique, and in ordinary times restriction in the use of paper is unwelcome. But economy in paper is now imperative, even if it involves considerable changes in established standards. Possibly new methods can be devised to effect economies without serious loss of professional efficiency. Every member of the staff of a firm should be on the alert to economise in the use of paper in every way that is practicable.

Ourselves and the War

We cannot apologise for the reduction in the number of pages of this journal, and we are sure that in the circumstances our readers would not wish us to do so. The reasons for the restrictions placed upon the use of paper are well understood. We shall keep ACCOUNTANCY to the maximum number of pages permissible, and shall endeavour to preserve as many as possible of the features that have contributed to the marked increase in circulation which we have enjoyed during the past two years, and which have helped to secure the journal against a falling-off in circulation during the trying war months. We must ask our readers' indulgence if in addition to finding a smaller number of pages in their monthly number, they also find that it arrives a day or two late. When printing and transport are liable to be interrupted through air-raids, some delay may be inevitable. We shall strive to eliminate any delay, and we are glad that the postal services now appear to be considerably improved, so that issues should not be much more than the normal time in the post.

October, 1940

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ACCOUNTANCY

Formerly the Incorporated Accountants' Journal
Established 1889

The Annual Subscription to ACCOUNTANCY is 12s. 6d., which includes postage to all parts of the world. The price of a single copy is 1s. od., postage extra. All communications to be addressed to the Editor, Incorporated Accountants' Hall, Victoria Embankment, London, W.C.2

WAR RISKS INSURANCE

There need be no doubt about the motives behind the intense and indiscriminate bombing of London during the past few weeks. The enemy bombs are aimed not at military targets but at civilian morale and the country's social and business organisation. It is essential not only that civilian casualties should be minimised but also that the enemy should not disorganise our economic system. As anyone who has seen the people of London during the last few weeks will testify, the enemy is now as far from achieving success in these attacks as he ever was. But the fact that the Londoner's morale is improved rather than damaged by nightly bombardments from the air and periodic raids during the day does not excuse us from taking every measure practicable to maintain our economic and social life in equilibrium, even though it must necessarily be adapted to the changed conditions.

One important aspect of this may be seen in the matter of damaged property. If the losses caused by indiscriminate bombing fall only upon those whose property is directly affected, there must inevitably ensue widespread hardship and dislocation of business. If, on the other hand, a scheme can be devised whereby those losses are spread over the community as a whole, much will have been done to prevent economic and social dislocation. This was pointed out with emphasis in many quarters long before the outbreak of war. So far as stocks of commodities are concerned, the Government have appreciated the point and have instituted a compulsory scheme of war risks insurance. But until the beginning of last month they were averse to extending this scheme to cover buildings. In the main, they were actuated by the report of the Weir Committee which sat in the summer of 1939 and which rejected the idea of a Government scheme of insurance mainly because the possible liabilities appeared immeasurable. But at the beginning of September the position changed when the Prime Minister announced that a comprehensive review of the possibilities of insuring property against war damage could be made. At that time the limited damage caused by air bombardment suggested that the Weir Committee may have exaggerated the possible destruction by bombing, for, as the Prime Minister announced, only 800 houses out of a total of 13,000,000 had been destroyed. Since then the damage has been greatly increased, but the Prime Minister must have envisaged a campaign of air bombardment on a much intensified scale; and even now the extent of war damage is probably less than the Government had expected. It is our belief that proper examination of the problem would show that some form of war risk cover for property could be devised.

It is obvious, in the first place, that any scheme must be compulsory on the whole of the property-owning community. It would not be possible to allow

those in relatively immune areas not to participate in the scheme while those whose property was most liable to damage would rush to enter it. Since in this war the civilian front line is holding out for the benefit of all it follows that all should contribute to its defence. For the same reason it is desirable that no differentiation should be made in the premiums due from those in different parts of the country. In the second place, the thesis of the insurance companies that it is impossible to arrive at premium rates with any degree of precision is undoubtedly a convincing one. The potential damage cannot be estimated in advance. At the same time it is clear that even substantial periodical payments by way of premiums by property owners in general might not provide sufficient funds for compensation in full. Whatever the extent of the premiums, we must always be prepared for the necessity of supplementing the accumulated funds to a considerable extent. It is upon this particular point that many find an insuperable difficulty.

It does not seem, however, that the difficulty is insuperable. Not merely for financial reasons, but also because of the severe limitation upon supplies of building materials, no one can for a moment suggest widespread reconstruction of damaged property during the war. Only the most essential repairs, especially to industrial properties, should be placed in hand immediately; wherever possible, the work of repairs should be postponed until after hostilities. It follows that the major part of compensation will not be paid until after the war, although advances on account of the sums due must necessarily be made as soon as possible after the damage is sustained. This postponement of compensation payments means that a very large part of the sums required can best be financed after the war and can thus supplement the war-time premium payments. Since the sums required in the post-war period may well be very large, it is almost inevitable that an all-round levy upon property owners payable by lump sums would not be practicable. The State must therefore bear the burden in the first instance, and the problem arises how this is to be shifted on to the community. One suggestion which has been made in this connection—and which was before the Weir Committee—is that the State should raise a loan sufficient to meet the portion of compensation payments uncovered by premiums and that the debt so created should be extinguished over a period, for example, 25 years, by sinking fund payments from property owners, the payments being graduated in accordance with the war-time premiums paid. In the meantime the loan would be secured by first mortgages on property in favour of the Crown—the mortgages being similarly graduated. Interest would be payable at a certain rate, but since there is much to be said for the view that the taxpayer who is not a property owner should bear some part of the burden, public funds might well be used towards paying part of the interest due.

Subject to details, there appears to be no reason why a scheme such as we have outlined could not be adopted. It is dependent upon the point that complete indemnity for war damage, once the compulsory principle is admitted, does not imply that the sum of war-time premiums should equal the sum of the indemnities payable. Although ordinary insurance practice does not allow the payment of premiums after the event, such a departure would be possible in this case, since the proposed scheme would be a compulsory one administered by the State. It is greatly to be hoped that the Government will feel itself able to introduce some such plan of war risks cover which will do much to minimise the indirect effects of air raids.

Deduction of Income Tax from Salaries

The provisions of Section 11, Finance (No. 2) Act, 1940, present a number of problems to the auditor. The Section empowers the Commissioners of Inland Revenue to make regulations requiring employers and other persons to deduct any tax chargeable under Schedule E from any payments made by them or on account of income chargeable under that Schedule, and for making them accountable for the tax which they are required to deduct.

The direct deduction of income tax from salaries is for most concerns an entirely new practice. The procedure calls for some consideration from the point of view of the employers and not less from the point of view of the auditor. The practice, however, has been in operation in other quarters for a considerable period. In the case of officers of the Fighting Services, members of the Civil Service and railway officials, tax has been deducted from salaries before payment. Voluntary schemes were also inaugurated in 1931 both by private enterprise and by a considerable number of local authorities. It is understood the scheme which will be put into operation on November 1 will follow fairly closely the lines of the present voluntary scheme. The proposal does not involve any alteration in the basis of assessment and the deduction made from salaries will represent, not the tax applicable to the salaries and wages from which the deductions are made, but the tax assessed in respect of salaries and wages previously paid.

With the high rate of tax now payable, Parliament correctly interpreted the public mind in legislating for direct deduction of tax from salaries. It seems, however, that the burden of additional clerical and accounting work was not adequately appreciated, especially at a time when normal clerical staffs have been severely depleted. Moreover, other additional duties arise from emergency orders and involve much clerical work and additional organisation.

For weekly wage-earners engaged on manual work deductions will date from January 1, 1941; for all other employees, from November 1, 1940. The Revenue have accelerated their machinery and except in the case of manual weekly wage-earners, assessments have, in the majority of cases, already been issued. This is in order to ensure that appeals can be dealt with and, with few exceptions, the liability can be determined for each employee in time for the Revenue to notify the employer of the amount he is to deduct.

The Section empowers the Commissioners to require any employer to collect any tax assessable on an employee under Schedule E, whether it is in respect of the salary or wages which he pays or not, but it does not empower them so to collect tax chargeable under any other Schedule. Tax collectable will, however, usually be apportioned between employers. The Revenue will notify the employer of the total amount of tax which he is to deduct, but no details of the assessments will be communicated to him.

The employer is to calculate the instalments, and it is envisaged that in the case of weekly payments,

there may be 25 weeks at an even sum, followed by an odd sum in the twenty-sixth week to complete the six months' total. In the case of an employee who is away through illness and is not paid for that period, the instalments deductible when he returns to work will be suitably augmented so as to recover the "arrears." No tax can be deducted where the earnings of an employee fall below £2 in any one week.

Employers will be called upon to pay to the Revenue by the 15th of each month the sums collected in the previous month. If an employee leaves his service, the employer must notify the Revenue of the balance still outstanding, so that arrangements can be made with the new employer for its collection. The Revenue will provide a special form to accompany each remittance by the employer, which will obviate the necessity for a detailed list of the amounts collected.

The employer is liable for tax which he is required to deduct; if he fails to deduct it this will not absolve him from liability. The auditor must, therefore, satisfy himself that the directions of the Commissioners have been observed and that the aggregate amount of the deductions has either been paid to the Revenue or has been reserved for in the accounts under review. Moreover, the tax deductions cannot be regarded as similar to those for National Insurance, which are standardised and general.

In the case of income tax, the position varies from employee to employee, and tax will not apply to all or even to the majority of employees. What safeguards are there, therefore, to overcome the following:—

- (a) deduction notices being mislaid and no deductions made;
- (b) the non-disclosure of deductions, cash being fraudulently retained;
- (c) a constantly changing staff, with salaries below £2 a week, but commission payable at irregular intervals; new employees coming in, etc.? Supplementary deduction notices will be constantly coming in.

A first consideration of the problem suggests that the auditor will have to satisfy himself that all deduction notices have been complied with, and we can see no other certain way than that of getting the employer to ask the Collector or the Inspector of Taxes to notify the auditor direct of the total amount directed and the amount still under direction at the balance sheet date. He can then readily check the amount which has (or ought to have been) deducted from employees, and vouch the payments. For their own protection, the Revenue should be only too willing to co-operate in this way, and we expect that no difficulty will be experienced. There may be some lack of organisation in individual employers' offices at first, particularly in those districts where "alarms" are frequent and work already being done under difficulties, but as soon as the deduction scheme is dove-tailed into the system of internal check, it should run smoothly.

E.P.T. and National Savings

[CONTRIBUTED]

The Chairman of the National Savings Committee, Sir Robert Kindersley, spoke recently of the inadequacy of the subscriptions to the 2½ per cent. War Bonds. He regarded the amount received to date as "definitely good," though not good enough; and those persons who have been watching anxiously the voluntary savings movement in its hour of trial will testify that the position in this respect is by no means exaggerated by Sir Robert. The 2½ per cent. War Bonds were designed primarily to attract funds from companies, trusts, and the relatively large institutional investors generally. In the first six weeks of the currency of the bonds, £144 million have been subscribed, a figure which includes, it is believed, £20 million subscribed by one of the large insurance companies on the earliest day.

It appears that one of the reasons which have been commonly given for this state of affairs by those in charge of funds available for investment, is that subscription to the War Bonds involves financial hardship in the sense that liability to Excess Profits Tax is increased thereby. Having regard to the importance of this matter, and to the degree of confused thought which is apparent in connection with savings and economic policy in general, it may be useful to inquire into this question in some detail. The plea of the business man is that funds invested in the War Bonds will constitute an investment for Excess Profits Tax, and thus capital withdrawn from the trade or business concerned. A fall in the standard profits, to the extent of the statutory percentage on the investment, would then follow.

It is interesting (but hardly edifying) to recall that an identical situation arose in the last war. On March 12, 1917, and on July 1, 1919, the Commissioners of Inland Revenue made public announcements reminding the investing public that funds retained on banking account or in Treasury Bills, which were in fact free for investment in War Loans, would not automatically be regarded as employed in the trade or business; and it may be that funds so retained may in any case be regarded as withdrawn from the date when it appeared that they were not required for the purposes of that trade or business. In such cases, therefore, the business derived no advantage as regards liability to Excess Profits Duty, whilst the additional yield of the War Loans was unnecessarily foregone. An almost identical statement was made by the present Chancellor of the Exchequer when he replied to a question in the House of Commons on August 23. The Member for Ashford had given the impression that moneys retained on banking account were in all cases regarded as capital employed in a trade or business, and the reply again stated that funds available for investment yet remaining free would not be regarded as capital employed.

What is the legislation regarding this matter? The proviso to Section 13 (3), Finance (No. 2) Act,

1939, outlines a comparison between "average capital employed" in standard and chargeable accounting periods, for the purpose of adjusting the standard profits for a full year by the statutory percentage on the variation between the two figures. To determine "capital" we must follow Part II of the 7th Schedule to that Act, and we find (Rule 3) that "Investments" are to be eliminated. There is no definition of the term, and it is useful to consider the remarks which were made in the E.P.D. case, *C.I.R. v. Gas Lighting Improvement Co., Ltd.*, 12 T.C. 503. It was stated (pages 525 and 535) that the ordinary usage of the word should apply, and funds applied in the purchase of securities which would popularly be regarded as "investments" would be so regarded for E.P.D.; even though the holding of those "investments" may be incidental to the main objects of the trade or business. In the cases of *Liberty & Co., Ltd.* (12 T.C. 630) and *Bourne and Hollingsworth* (12 T.C. 484), it was contended that War Loans obtained by subscription from funds which were intended for business projects, postponed as a result of the war, did not constitute investments, and were capital employed in the trade or business. It is a source of some surprise that these cases were brought before the Courts, as it appears self-evident that the fact that the funds had been so appropriated in the particular circumstances of the cases, was proof that they were not in fact employed in the trade or business.

We find further (Rule 3) that, in computing capital, "moneys not required" in the trade or business shall be eliminated. It is clear that funds not capable of definition as investments may nevertheless be classed as "not required," and it appears that moneys held on banking account are the objective. The rule is interpreted in practice as implying an examination of bank balances and an estimation of the amount which business commitments make it necessary to be retained in the account. Inspectors in some instances tend to look at terminal bank balances, which, of course, may give no indication of the average position of the account during the accounting period; but others look to the minimum balance in each period and treat as "moneys not required" the part of that

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balance which exceeds the agreed amount which it is necessary to retain.

To revert to the phrase "average capital employed," we have found that "investments" and "money not required" cannot in any case be included, but we must now consider the word "employed." It would appear that funds may not be susceptible of definition as "investments," and may be "required" for the purposes of the business (e.g., to meet a known future commitment; accruing taxation liabilities; or merely because it is prudent not to allow the bank balance to fall below a certain figure) and yet, it may well be that those funds are not in fact "employed" in the trade or business during the appropriate period. It is in the interpretation of this word, that a changed attitude on the part of the Revenue is required, in order that there shall be no unnecessary limitation of subscriptions to War Loans. The writer would like to advance the view, for discussion, that moneys held on banking account should in no circumstances be regarded as capital employed in the trade or business. The view taken is that capital may, except where used to acquire investments, usually be regarded as employed when it is appropriated for specific purposes, or immobilised, and moneys retained on bank account have not, in fact, been so utilised. Each withdrawal from the bank constitutes capital immobilised for some degree of time, and, where not used for investment purposes, then represents capital employed in the trade or business in the form in which that value is then held. Moneys paid in to the credit of banking accounts, on the other hand, represent, unless consisting of investments sold, capital realised and no longer employed.

The accountant will realise, however, that such an interpretation, although arising from the existing legislation, would necessitate fundamental changes in the method of computation of average capital employed which is being adopted in practice. This method takes the capital as at the commencement of the accounting period computed in accordance with the Acts, and the only adjustments normally made to arrive at the average amount employed during the standard and chargeable periods are in respect of new capital introduced, capital withdrawn, and profits or losses accruing (as the latter add to or deduct from assets employed as they accrue). No account is taken of the fact that the opening figures will change many times during the period, on the ground that the capital employed will not be affected thereby, as substitutions from one type of asset or liability will occur. If we did not regard the bank balance as capital employed, however, it would be necessary to compute averages of each category of assets and liabilities (other than bank balances and other items not employed). The position, briefly, would be :

Share Capital—opening figure maintained, adjusted where necessary according to dates of introduction of new capital or repayment of shares (e.g., redeemable preference shares).

Debentures and Loans—opening figure maintained, adjusted where necessary according to dates of introduction of new capital or repayment.

Fixed Assets—opening figures maintained, adjusted where necessary by reference to dates of purchases or sales.

Stock—Compute average monthly values by reference to interim stock-takings, or continuous records where appropriate.

Debtors—compute average monthly balances, by reference to actual figures (where available) or figures found by reference to monthly sales and cash received totals.

Accruing Profits or Losses—No separate adjustment necessary. Where reflecting changes in other assets or liabilities, they will be automatically included. Where retained as increased bank balance, not regarded as increased capital.

It is submitted that such a process would enable a figure of average capital to be calculated which would present a more accurate picture of the period than the present method, and would, in most cases, be found with no more difficulty than by the present method.

The recent Imperial Tobacco Company case should be noted in connection with the remarks here expressed. For N.D.C. it was decided that interest on bank current account should be regarded as arising from "investments or other property." The words "or other property" do not appear in the comparable E.P.T. legislation, and it is not yet known whether the case is to be cited by the Revenue in connection with the latter tax. If so, the elimination of the interest would, of course, imply the elimination from capital employed of the bank balances themselves, on the lines here suggested.

It will be agreed that the present position is unsatisfactory, and that clear and uniform treatment of the cash and investment question for Excess Profits Tax should be quickly evolved. Many accountants would not, however, agree with the view expressed in some quarters that the solution is to regard War Loans taken up from current bank balances as capital employed in the trade or business, as this would appear to be unquestionably untrue, even where normal balances have been reduced by the subscription. Standard and chargeable periods should be dealt with on an exactly similar footing, as the comparison, which is the essence of the tax, will otherwise be fictitious. The only satisfactory way, it is submitted, is to regard in all periods bank balances as not employed. There will then be no incentive to ignore the call of the Savings Movement.

RECENT LEGAL CASES

The following recent legal cases are dealt with in this issue

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TAXATION

Taxation Notes

E.P.T.—Minimum Standard : Additional Allowance

The new Subsection 13 (2) to the Finance (No. 2) Act, 1939, as provided by Section 31 (1), 1940, authorises the Commissioners to direct an additional allowance of up to £1,000 per working proprietor, where the Commissioners are satisfied that the normal £1,500 is insufficient having regard to the nature of the business and its size as shown by the value of the assets (not the amount of the capital) employed therein. It is understood, however, that the additional allowance is being granted in practice on the basis of a 6 per cent. addition in respect of the capital employed in excess of £5,000 for each working proprietor. Thus, if the capital employed in a business with two working proprietors is £25,000, the minimum standard of £3,000 will be raised by 6 per cent. on £15,000 to £3,900, i.e., £1,950 for each. If there were three working proprietors the minimum of £4,500 would be increased to £5,100. The additional allowance computed in this way is subject to the maximum £1,000 (£2,500 in all) for each working proprietor up to four.

Life Assurance Relief

Although for 1940-41 the relief is calculated as if the standard rate were 7s. in the £, it should be noted that there is an exception. Allowance is given to an individual in respect of compulsory payments under any Act of Parliament or under the terms of his employment, for the purpose of securing a deferred annuity to his widow or provision for his children after his death, at 4s. 3d. in the £ if the total income does not exceed £1,000, at 6s. 4½d. in the £ if the total income exceeds £1,000 but does not exceed £2,000, or at 8s. 6d. in the £ if the total income exceeds £2,000.

No allowance is given in respect of the amount, if any, by which the premiums, etc., exceed the "taxable income."

E.P.T. : Inter-Company Computations and Deficiencies

To the extent that the deficiency of a subsidiary company is not absorbed against profits of previous periods, it may be used by the principal company against any excess profits on which the principal company is assessable. Any deficiency so used is not then available against future excess profits of the subsidiary, although it must be taken into account in adjusting the incidence of E.P.T. on the group. The deficiency so transferred can be used against any profits in respect of which the principal company is assessable, that is, it can be used against excess profits of other subsidiaries or of the principal company, as the latter elects, and for any chargeable accounting period.

E.P.T. Incidence : Inter-connected Companies

Although the group is assessable on the excess profits of the group, the incidence of E.P.T. is not affected; the principal company must apportion the tax over the group, recovering from those liable and repaying on deficiencies of those having deficiencies to set against excesses. There is to be computed for each subsidiary company for each chargeable accounting period the total E.P.T. to which that company would be liable for that period and all previous chargeable accounting periods during which it was a member of the group, giving it relief for its own previous deficiencies and credit for

N.D.C. paid for those periods. In respect of the first chargeable accounting period in which the subsidiary company is a member of the group, the principal company will recover from the subsidiary any E.P.T. so computed, and in any subsequent chargeable accounting period it may recover the excess of the amount so computed for that period over the amount so computed for the previous period. If the total amount so computed for any period is less than that for the preceding period, the principal company must account for the difference to the subsidiary company, reduced, however, by any amount which could have, but has not been, recovered for a previous period.

In the capital computations, the E.P.T. of the group is a debt due by the holding company. Any E.P.T. recoverable from a subsidiary company must be brought in as an asset, and any due to a subsidiary as a liability. Similarly, the subsidiary must bring into its capital computation as a liability the amount recoverable from it by the principal company, and as an asset any amount recoverable by it from the principal company. All such "debts" are regarded as due on the first day following the end of the chargeable accounting period to which the account relates.

ILLUSTRATION.

A subsidiary company's liability was as follows :—

		N.D.C. payable	Gross E.P.T.	E.P.T. payable	Amount recoverable by principal company
10 months to					
Jan. 31, 1940	600	1,100	500	500	
Year, Jan. 31, 1940 ...	400	700	300	300	
	—	—	—	—	
	1,000	1,800	800	800	
Year, Jan. 31, 1942 ...	300	450	750	750	
	—	—	—	—	
	1,300	1,350	50	50	

The effect of N.D.C. on the repayment should be noted; the subsidiary by January 31, 1942, should have suffered £1,350, and by January 31, 1941, £1,800, leaving a repayment of E.P.T. of £450. But as it must pay £300 N.D.C. in the year to January 31, 1942, the total relief for E.P.T. is £750.

E.P.T. Group Standard Period

It should be noted that once the standard period for the group has been selected, the group is bound thereby for each chargeable accounting period during which the composition of the group remains unchanged or is changed only by the loss or addition of a "new subsidiary." The "loss of a new subsidiary" appears to be a peculiar event until it is realised that a new subsidiary is a company which became a member of the group after the standard period.

To change to a new standard period, therefore, the group will have to change by the loss of a subsidiary which was a member of the group in the chosen standard period.

E.P.T. Appeals, etc.

The following summary of the provisions of the Acts regarding appeals, etc., will be found useful:—

Abbreviations:	C.I.R. Refs. G.C. S.C.	Commissioners of Inland Revenue. Board of Referees. General Commissioners. Special Commissioners.			
S. 14 (1) F.A. (2), 1939		Apportionment of accounts in computing standard and chargeable accounting periods, where such a period is not an accounting period.	Direction by C.I.R.	S. 38 (4) F.A. 1940	Modifications by C.I.R. re successions, etc.
S. 16 (5)	"	Apportionments where part of a trade is transferred after March 31, 1939.	C.I.R. Appeal to Refs.	S. 27, F.A. 1940	Substituted standard—on paid-up capital.
S. 16 (6)	"	Application to C.I.R. for succession to whole or main part of a business to be treated as continuance.	C.I.R. Appeal to Refs.	S. 32, F.A. 1940	Going concern value Depressed industry Disallowance of expenses as unreasonable or unnecessary.
				S. 33 (2) "	Against determination of C.I.R. apportioning expenses to other periods.
				S. 34 "	Application re inherently unproductive assets.
				S. 13 F.A. (2), 1940	Additional percentage in case of mines, etc., operating wasting natural assets.
					Appeals in general, except inter-connected companies.
					Appeals, inter-connected companies S.C.
					See also 5th Schedule, F.A., 1940, re sundry applications to C.I.R. and Refs.

Recent Tax Cases

By W. B. COWCHER, O.B.E., B.Litt., Barrister-at-Law

National Defence Contribution—Whether bank interest income from investments—Finance Act, 1937, Fourth Schedule, Rule 7.

In *Commissioners of Inland Revenue v. Imperial Tobacco Co. (of Great Britain and Ireland), Ltd.* (K.B.D., June 11, 1940, T.R. 375), the question to be decided was whether the interest which the respondent company received on its current account at its bank is income from investments or other property within Rule 7 of the Fourth Schedule to Finance Act, 1937. The Special Commissioners had decided that it was; and this view was upheld by Lawrence, J. Two *dicta* in the case are important. Lawrence, J., held that money on current account with the bank was not money used in the company's but in the bankers' business, and, contrary to the company's contention, that the interest did fall within Case 1 of Schedule D. In view of the very similar provisions regarding investments in Rule 6 to the Seventh Schedule of Finance (No. 2) Act, 1939, and of the fact that the payment of interest on a current account would not seem to affect the proposition laid down, it would seem that, if upheld, bank balances to the credit of the current account of a business will have to be excluded from capital computations. As regards the second *dictum*, that the interest falls within Case 1 of Schedule D, it is not easy to see how such interest can be at once interest on an investment "in an outside security"—the test applied—and also profits from trading. It is to be hoped that the case will go further.

Income Tax—Insurance Policy—P.P.I. policy—Whether policy moneys receipts of company or of managing director—Schedule D, Case 1.

A. E. Mallandain Investments, Ltd. v. Shadbolt (K.B.D., May 28, 1940, T.R. 355) is another case where the point at issue was whether a sum received under a policy of insurance should be regarded as a trading receipt. The company's business, *inter alia*, comprised paper novelties, etc., which would be in demand in connection with public festivities; and M., the financial director, on April 27, 1936, took out a Lloyds policy for £5,000 payable in the event of the coronation of King Edward VIII not taking place. The policy was taken out in the name of the company, and on the company's behalf, and the receipt under it was credited as a trading receipt. The company's sales were unconditional, but it had to purchase raw materials in anticipation of Coronation orders. M. had effected the policy without consulting F., the other director, and it was argued that it was only a gamble, and that he intended the policy to be on his own behalf.

The Special Commissioners had found that the net amount received was a trading receipt of the company, and Lawrence, J., affirmed their decision. He held that the company had an insurable interest in the event of the Coronation, that, whilst some of the facts tended to show that the matter was a gamble by M., others tended in the opposite direction, and that these were facts for the Commissioners to consider. He agreed with their decision; and there was nothing to show that they went wrong in law.

Income Tax—Advertising expenses—Expenses of management, Income Tax Act, 1918, Section 33—Maintenance of Property, Income Tax Act, 1918, Schedule A, No. V., Rule 8.

In *Southern v. Aldwyche Property, Ltd.* (K.B.D., May 29, 1940, T.R. 351), the Crown appealed from a decision of the Special Commissioners. The company owns and manages blocks of flats, and incurs expenses in advertising flats which are available for letting. It claimed that these expenses were expenses of management within Section 33; but Lawrence, J., reversing the Commissioners' decision, held that they were part of the "cost of management" within the meaning of Rule 8.

The main argument for the respondent was that the word "management" in Rule 8 must be narrowed down by its association with the words "maintenance, repairs and insurance" and that when so narrowed down it must be held to exclude the cost of advertising for tenants. In other words, the *ejusdem generis* principle applied. There were subsidiary contentions; and *C.I.R. v. Wilson's Executors* (1934, 18 T.C. 465, 13 A.T.C. 16) was cited as a decision that the expenses in question would not fall within "management" in Rule 8. The Crown disputed this view of that case. Its main argument was that the word "management" in Rule 8 means the management of property assessable under Schedule A, and that, whereas the words "maintenance and repairs" refer to the fabric of the building or to the land itself, the words "insurance" and "management" seem to refer to the business of owning lands and buildings rather than to the lands and buildings as objects.

Lawrence, J., accepted the Crown's view of the *Wilson* case and its arguments generally. The cost of advertising was a "necessary disbursement" in managing the property and he was unable to agree that the word "management" in Rule 8 should be narrowed down as had been done by the Special Commissioners. The

word had its ordinary meaning and included all the ordinary expenses of managing property taxed under Schedule A. The exclusion clause Section 33 (3) therefore applied, and Section 33 (1) became inapplicable.

Inasmuch as those property owners potentially entitled to claim relief under Section 33 form but a small fraction of property owners generally, the decision, which accords with existing practice of admitting the expense of letting under Rule 8, will be welcomed by the landed interests as a whole.

Income Tax—Partnership—Admission of additional partner—Whether a succession within Rule 9 (1) of Cases I and II of Schedule D—Income Tax Act, 1918, Schedule D, Rule 1 (a) (ii), Cases I and II of Schedule D, Rules 9, 10, 11—Finance Act, 1926, S. 32—Interpretation Act, 1889, S. 1 (a).

R. v. City of London Income Tax Commissioners, ex parte Gibbs (K.B.D., May 10, 1940, T.R. 283, C.A., Aug. 2, T.R. 419) is a new instance where, under the pressure of taxation, a long-established interpretation of an income tax rule has been successfully challenged. In effect, for the time being, Rule 9 to Cases I and II, of Schedule D has no application to partnership changes. The case is a remarkable sequel to *Osler v. Hall & Co. (a firm)* (1932, 17 T.C. 68); and it is curious that in none of the judgments was any reference made to that case, although the facts were similar. From a passage in the judgment of Clauson, L.J., and Goddard, L.J., it would seem that they were unaware of it.

On February 7, 1938, a well-known firm of stockbrokers admitted an additional partner, but no request was made under Rule 11 (1) that the computation of tax should be upon the basis of a discontinuance of the business. On March 25, 1938, the firm took in another additional partner. In respect of this second change, on April 1 the firm made requisition that it should be regarded as effecting a discontinuance under the Rule. On July 27, 1939, the Inspector issued his certificate to the Commissioners, purporting to act under Rule 9 (1), and showing what he made to be the apportionment of the £69,355 assessed. Following notice given to the firm by the Commissioners under Rule 9 (2), a motion was made in the King's Bench Division for a prohibition to prevent the latter from acting, upon the ground that no person charged under Schedule D ceased to carry on the trade in respect of which the assessment had been made and that, as a consequence, the Inspector had no power or authority to certify under Rule 9 (1), and Commissioners were therefore debarred from acting under Rule 9 (2).

A partnership in English law not being a legal person, the question was whether, notwithstanding this fact, it was a person for the purposes of the Rule. In the Divisional Court this was answered in the affirmative. Charles, J., delivering its judgment, pointed out that, by the old Rule 11, the quantum of the assessment remained the same unless diminution from specific cause was shown by the successor. The new Rule 11 (2)—F.A., 1926, Section 32—provided that where succession occurs, and the case is not one within Rule 11 (1), the position is to be regarded as the cessation of an old and the setting up of a new trade. But the proviso to Rule 11 (1) which enables partnership changes to be treated as cessations upon application by the parties interested made no provision for apportionment, with the apparent result that unless Rule 9 (1) was applicable there was no apportionment machinery provided by the Acts. The solution found by the Court was in the Interpretation Act, 1889, Section 1 (a), which provides "so far as the context permits" that the singular

includes the plural, with the consequence that Rule 9 (1) might then read: "If four persons charged under this Schedule . . . are succeeded thereon by five persons." This view was supplemented by reference to Rule 1 of Schedule D where the expression "any person" was held to include persons in partnership inasmuch as there were no other words under which partnership trading profits were taxed under Schedule D.

This decision was unanimously reversed by the Court of Appeal. Scott, L.J., said that the interpretation given to Rule 9 would nullify the taxpayer's rights under Rule 11 because procedure under Rule 9 is mandatory and the apportionment made is by Rule 9 (3) final and binding. Referring to the Interpretation Act, 1889, whereby the singular includes the plural "so far as the context permits" it was not thought to be a natural use of language to say that a firm ceases and that there is succession where all that happened was that a young managing clerk had become a very junior partner with a tiny percentage of profits. Rule 9 only operated where there was a real "ceasing" and "succession." It dealt primarily with one person, natural or judicial, as either cessor or successor and only extended to a plurality acting jointly where there was complete transfer from the one group to the other or from a group to an individual or *vice versa*. Otherwise, Rule 9 had nothing to do with partnerships. In so far as *Michael Faraday v. Carter* (1927, 11 T.C. 565, 6 A.T.C. 198) could be held to be authority for a change in a partnership to be regarded as a "succession" he disagreed with it; but he held that it could not be so regarded.

Clauson, L.J., and Goddard, L.J., in a joint judgment agreed with Scott, L.J., that a change in a partnership did not create a succession within Rule 9. The latter was a means of adjusting the Revenue claims against two successive owners. As regards the argument that unless Rule 9 applied there was a "casus omissus," basing their views upon the history of the subject, they held that the continuing partners in cases of change would remain liable to the Revenue and adjustment between the partners would be dealt with by them under their mutual partnership obligations.

The case will, no doubt, go to the House of Lords, but the present position is extremely interesting. *Osler v. Hall* revealed a method whereby Stock Exchange and other firms with widely varying profits could, by making successive changes in constitution, avoid paying income tax and sur-tax upon the profits of a "peak" year, so mitigating the hardship of the single year basis in such cases. In *Osler v. Hall* the Revenue suffered a certain amount of loss because, in accordance with usual practice, the Inspector had not certified the change from Firm No. 1 to Firm No. 2 under Rule 9, with the result that the latter had never been assessed. And now the Court of Appeal has declared that no certificate is valid in such cases. But if the view of Clauson, L.J., and Goddard, L.J., set out above is, upheld to the effect that no special provision for apportionment is necessary, the Revenue may have won more than it has lost, because, there being no "succession" as the result of the first change, the right upon the occasion of the second change when "cessation" is claimed to revise the change upon the firm for the penultimate year under Section 31 of F.A., 1926, would be unaffected. This, however—and it is an important reservation—depends upon whether the word "person" in Section 31 is held to include a partnership. It is to be hoped that the House of Lords will settle this point, although it does not arise directly out of the case.

The Emergency Acts and Orders

In our November, 1939 issue we published the first instalment of a comprehensive guide to the war-time enactments and Orders which most concern the accountant. The series is brought up to date each month, and the twelfth instalment is given below. The summaries are not intended to be exhaustive, but only to give the main content of an Act or Order, the full text of which should be consulted if details are required.

ORDERS

COMMUNICATIONS

No. 1519. *Control of Communications (Isle of Man) Order, 1940.*

The restrictions on sending or conveying books, documents, etc., to certain foreign countries or to Northern Ireland or Eire, imposed in Great Britain and Northern Ireland by No. 1190, are extended to despatch from the Isle of Man.

(See ACCOUNTANCY, August, p. 299.)

EXPORTS

Nos. 1524, 1601, 1618, 1637. *Export of Goods (Control) Orders, 1940, Nos. 31, 32, 33, 34.*

A number of amendments are made in the list of goods of which the export is restricted. No. 1524 also extends the exception made by No. 1286 in respect of postage stamps of philatelic interest to skins, fur goods, articles more than 75 years old, works of art, diamonds, precious stones and pearls, articles made of platinum or gold, and watches with cases of precious metal. Each package must be sealed by the Board of Trade and certified to have been passed for exportation.

(See ACCOUNTANCY, September, p. 320.)

FINANCE

No. 1514. *Order in Council adding Regulation 2B to the Defence (Finance) Regulations, 1939.*

No. 1515. *Importation of Notes (Exemptions) Order, 1940.*

No. 1516. *Order in Council adding Regulation 2B to the Defence (Finance) Regulations (Isle of Man), 1939.*

Bank notes may not be imported into the United Kingdom or the Isle of Man, except by permission of the Treasury. A person entering the United Kingdom may bring in up to £10 in notes, and complete exemption is granted for notes brought or consigned direct from Eire.

No. 1485. *Order in Council amending the Defence (Finance) Regulations (Isle of Man), 1939.*

The same amendments are made in the Isle of Man Regulations as were effected in the United Kingdom by No. 1484.

Nos. 1346, 1575, 1635. *Regulation of Payments (General Exemptions) (Amendment) Orders, 1940, Nos. 1, 2, and 3.*

Further countries are added to the schedule to No. 1257, with the effect of further modifying the exemption granted to transactions by persons resident outside the sterling area.

Nos. 1576, 1577, 1578, 1579, 1580, 1581, 1582, 1583, 1584, 1585, 1586, 1587, 1588, 1636. *Regulation of Payments Orders.*

New rules are substituted for those contained in previous Regulation of Payments Orders relating to a number of specified territories. Provision is also made for the payment of amounts due to residents in Greece, Peru and Uruguay.

(See ACCOUNTANCY, September, pp. 320-321.)

IMPORTS

No. 1549. *Import of Goods (Prohibition) (Live Animals) (No. 2) Order, 1940.*

The Order restricting the import into the United Kingdom from Eire of cattle, calves, sheep, lambs and pigs (1940, No. 58) is revoked.

(See ACCOUNTANCY, March, p. 165.)

INCOME TAX

No. 1520. *Amending Regulations . . . with respect to the Assessment, Charge and Collection of Income Tax in the case of Weekly Wage-earners.*

The returns by employers to the Inspector of Taxes are to include all weekly wage-earners whose remuneration for the relevant half-year exceeded £60.

PREVENTION OF FRAUD (INVESTMENTS)

No. 1617. *Prevention of Fraud (Investments) Act Licensing (Amendment) (No. 2) Regulations, 1940.*

The date by which applications should be made for licences to deal in securities is further postponed to March 15, 1941.

PRICES OF GOODS

No. 1556. *Prices of Goods (Permitted Prices) (No. 4) Order, 1940.*

Permitted retail buying and retail selling prices are prescribed for certain hosiery, underwear, and knitting yarn. Some of these are in substitution for prices previously prescribed.

(See ACCOUNTANCY, August, p. 300.)

PURCHASE TAX

No. 1552. *Purchase Tax Regulations, 1940.*

Manufacturers and wholesalers must apply to the Commissioners of Customs and Excise for registration under Part V of the Finance (No. 2) Act, 1940, and must furnish information as required. Those carrying on business at the passing of the Act were required to apply before September 20. Importers of chargeable goods must give security for the tax. Books or accounts or other documents must be produced upon demand to an officer or other official of Customs and Excise. Forms are prescribed for a statement to accompany orders by registered persons buying goods for stock or materials. If the Commissioners' valuation of goods is disputed, notice requiring arbitration under Section 21 must be served within fourteen days.

TRADING WITH THE ENEMY

No. 1468. *Trading with the Enemy (Specified Persons) (Amendment) (No. 10) Order, 1940.*

Additions, a deletion, and amendments are made in the list of persons deemed to be enemies.

(See ACCOUNTANCY, September, p. 321.)

No. 1567. *Trading with the Enemy (Shipping Claims) Order, 1940.*

In substitution for the Open General Licence previously granted to the London Chamber of Commerce, the Board of Trade authorise Mr. C. W. Bateson, Mr. J. W. Boyle, and Mr. Henry Morgan, F.S.A.A., to represent persons interested in obtaining possession of cargo lying in a ship at a neutral port, or in enforcing or resisting claims in connection with any ship owned or chartered by an enemy. The authority does not apply where the owner of the ship was an enemy before April 9, 1940.

(See ACCOUNTANCY, March, p. 165.)

UNDERTAKINGS.

No. 1541. *Undertakings (Inspection) Order (Northern Ireland)*, 1940.

A person authorised by the Ministry of Labour for Northern Ireland must be permitted to enter and

inspect premises used in connection with any undertaking in order to secure compliance with Regulations 55 and 58A of the Defence (General) Regulations. Books, records or other documents must be produced and information furnished as required.

(See ACCOUNTANCY, July, p. 276.)

LAWLegal Notes

COMPANY LAW

Articles of Association—Court cannot rectify mistake.

In *Scott v. Frank F. Scott (London), Ltd.* (1940, W.N. 268), the Court of Appeal unanimously approved a decision of Bennett, J. (reported 1940, 1 Ch. 217, and noted in ACCOUNTANCY, March, 1940, page 163), that the Court has no jurisdiction to rectify a company's articles of association, even though they manifestly do not accord with what is proved to be the intention of the signatories at the moment of signature. After signature, the memorandum and articles must comply with statutory requirements as to registration and thereafter become binding upon the company and its members. The ordinary principles of equity affecting rectification of documents are inapplicable, because the company's document in the actual form in which it is registered constitutes the charter of the company, and is binding. On the question of construction of the articles, however, the Court of Appeal reversed the decision of Bennett, J., and found that the plaintiff, as executrix of her husband, had the legal right to the shares, and was entitled to have her name entered on the register.

Winding-up—Transfer of property, rights and liabilities—Contracts of personal service—Companies Act, 1929, Section 154.

In *Nokes v. Doncaster Amalgamated Collieries, Ltd.* (1940, 3 All E.R. 549), the House of Lords reversed the decision of the Court of Appeal (1939, 2 K.B. 579, already noted in ACCOUNTANCY). The appellant had been employed by H.M., Ltd., as a collier. In June, 1937, all property, rights and liabilities of H.M., Ltd., were transferred to the respondent company under Section 154 (1) of the Companies Act, 1929. In October, 1937, the appellant absented himself from work, and if he was to be treated as under a contract of service with the respondent company, he would have been liable to penalties under the Employers and Workmen Act, 1875. He was fined by the justices, and both the Divisional Court and the Court of Appeal dismissed his appeal. But the House of Lords (Lord Romer dissenting) found in his favour that there was no contract of service between him and the respondent company, holding that an order under Section 154 of the Act does not automatically transfer contracts of personal service, but that these are in their nature incapable of being transferred. This is a decision of vital concern to companies, and it is well that the House of Lords have settled a question which was open to so much doubt. Viscount Simon, L.C., in an illuminating judgment, pointed out that the word "contract" does not appear in Section 154; he could not agree with the Court of Appeal that a right to the service of an employee is the "property" of the transferor company.

Emergency Legislation—Actions to enforce debentures—Appointment of receiver—Voluntary liquidation.

The point at issue in *Re S. Brown & Co., Ltd.* (1940, W.N. 309) was whether the fact that the company had

gone into voluntary liquidation since the appointment of joint receivers and managers put an end to the agency of the receivers, so far as the company was concerned, and had the effect of making them the agents of the debenture-holders who appointed them. The debenture-holders, with leave of the Court under the Courts (Emergency Powers) Act, 1939, appointed joint receivers and managers. The subsequent liquidation terminated the agency *qua* the company. Bennett, J., held that application for leave of the Court must be made by the debenture-holders, whose agents the receivers must be assumed to be, as from the date of the liquidation.

INSOLVENCY

Bankruptcy of Tenant—Disclaimer of Trustee—Order of Discharge—Bankruptcy Act, 1914, Section 54.

Normally, a discharge from bankruptcy releases the debtor from his debts, but they must be provable in the bankruptcy. As regards rent, proof can be lodged only of arrears due at the time of proof; future rent is not a provable debt, and is not released by the bankrupt's discharge. In *Metropolis Estates Co., Ltd. v. Wilde* (1940, W.N. 292), this rule was followed in the following circumstances. The plaintiffs granted a lease to defendant and a company as joint tenants for seven years from 1935, rent being payable quarterly in advance. In 1936 a receiving order was made against the defendant on a petition presented before the commencement of the lease; the defendant was adjudicated bankrupt the next day. Later in 1936 he obtained his discharge, subject to 12 months' suspension. He did not disclose his interest in the lease to his trustee, and no steps were taken to disclose it. In October, 1939, this action was brought against the defendant, claiming one quarter's rent due in advance in September, 1939. The plaintiffs succeeded.

MISCELLANEOUS

Master and Servant—Prima facie no right to wages during sickness.

There has been much misconception of the legal effect of the decision in *Marrison v. Bell* (1939, 2 K.B. 187). It had been rashly inferred by some that the Court of Appeal had decided that *prima facie* a servant was entitled to be paid wages whilst receiving national health insurance sickness benefit. Later cases have shown that this inference was incorrect. In *O'Grady v. M. Saper, Ltd.* (1940, W.N. 269) the Court of Appeal declared that the headnote in *Marrison v. Bell* was not justified, and that the case was unnecessarily reported. The plaintiff, O'Grady, misled by a newspaper account of *Marrison v. Bell*, claimed wages for 15 weeks when away sick; at the time of absence he neither received nor asked for any wages. In the County Court he succeeded. But the Court of Appeal found against him. There is no *prima facie* principle at common law; each case must be judged on the particular facts, and the vital question is "What were the terms of employment; can a term be implied that the servant is or is not to be paid whilst absent during sickness?"

FINANCE

The Month in the City

This month's resolute firmness of Stock Exchange prices in face of the savage air attacks on London is one index of the unshakeable confidence which has steadily been built up in this country during the past three months. When France collapsed in June, it is scarcely too much to say that for a time markets were completely demoralised. In industrials the rout was measured by a temporary slump in the *Financial News* index (which towards the close of the "passive war" period had crept up to around the 80 mark) as low as 49. Thereafter a rapid recovery took place to the region of 63, and from that level even the descent of bombs within considerably less than a hundred miles of the House itself has been unable to shift it. As usual, the chief response in these comparatively shock-proof wartime markets has been a sharp decline in the volume of business. Intensified on this occasion by postal delays and dislocation of transport, the result has indeed been to reduce the daily number of bargains to quite abysmally low figures. But so far as prices are concerned, the effect was limited to a momentary drop of about a point in gilt-edged from the exceptionally high levels touched earlier in the month. This was rapidly made good again, War Loan reaching a new record level since 1938 of 101 $\frac{1}{2}$. Industrials generally, as will be seen from the table below, are, if anything, a shade firmer on the month.

	Sept. 23	August 26	Change on month.
Consols 2 $\frac{1}{2}\%$...	73 $\frac{1}{2}$	73 $\frac{1}{2}$	- $\frac{1}{2}$
L.N.E.R. 2nd pref. ...	9 $\frac{1}{2}$	10	- $\frac{1}{2}$
B.A.G.S. ...	5	3 $\frac{1}{2}$	+1 $\frac{1}{2}$
Triplex ...	14/6 xd.	18/6	-4/-
Harrods ...	28/-	28/-	-
London Brick ...	37/-	33/-	+4/-
Vickers ...	13/1 $\frac{1}{2}$	13/1 $\frac{1}{2}$	-
J. Lyons ...	4	3 $\frac{1}{2}$	+ $\frac{1}{2}$
Lancs Cotton ...	16/6	16/6	-
Grootvlei ...	4 $\frac{1}{2}$	4	+ $\frac{1}{2}$
East Geduld ...	9 $\frac{1}{2}$	9 $\frac{1}{2}$	+ $\frac{1}{2}$
Western Reefs ...	15/6	15/-	+ $\frac{1}{2}$
Rho. Anglo ...	13/9	13/9	-
F.N. Index ...	63.3	62.9	+ $\frac{1}{2}$

Among individual groups, Home rails have become somewhat subdued on rather intangible fears that the rail fares enquiry might seal the doom of the present agreement and lead to a modification next year of the very complete protection which the lines at present enjoy against higher costs. Stores shares were depressed by the West End damage (though Harrods have for some reason been a firm exception), while, on the other hand, the visible evidence of a future demand for constructional materials benefited such shares as London Brick. A speculative interest, similarly based, in glass shares was thwarted by the absence of quoted equities. Indeed, the only well-known share directly concerned with glass—Triplex—has fallen sharply on a drastic cut in dividend. The publication of some good results, on the other hand, has contributed to general firmness among textiles, while Kaffirs gained renewed strength, in a quiet way, from the unexpected mildness of the new South African taxation.

Inter-Office Dealings Plan

One effect of air-raids has been to cause a pre-occupation with the purely physical environment of

markets as distinct from the transactions actually carried on in them. Interest in this question has, perhaps, been even more acute on the Stock Exchange than elsewhere, since the security markets have proved particularly vulnerable to disturbance from air-raid warnings. Though actual experience of air-raid conditions has increased rather than diminished the firm determination of most members of the Stock Exchange to accept exile to Denham only in the most desperate resort, it has been reluctantly realised that the House itself is structurally most unsuited to use during raids without grave risk of an important national institution being destroyed at one stroke. Even the underground settling room is for technical reasons unfitted to provide an emergency dealing floor, or even shelter.

Thus, the sound of the sirens has hitherto produced an almost complete suspension of business. Out of the impasse two ways have been suggested. One of these would be to house each section of the market in a separate shelter, a solution which would have the disadvantage of exposing brokers to considerable risk during their perambulations between the different markets, as well as handicapping the small firm which could not readily provide a representative in each market. The preferable alternative has been deemed to be a considerable extension of the system of inter-office dealings by telephone. Already many members have continued operations during raids from their telephone box and some impatience was expressed at the apparent delay of the Committee in providing more extended facilities on these lines. Actually, a practicable scheme depended on the outcome of negotiations with outside interests and there is a good hope that by the time these lines appear an acceptable arrangement will have been notified to members. One adjustment which was made quite early was a reversion to the 2 o'clock time of closing adopted during the early months of the war. While it was generally agreed that shorter working hours were highly desirable in the circumstances, it was widely argued, and with strong apparent justification, that in view of postal delays and the congestion of traffic a later opening would have been a more suitable means of meeting the difficulties.

Commonwealth Group

Considerable attention has been attracted this month by the affairs of the Commonwealth Mining and Finance group of companies. It will be recalled that, following the withdrawal of Stock Exchange quotations for the shares of some companies in this group, a Board of Trade enquiry was appointed on the application of the directors. In the circumstances which led to this enquiry it was taken for granted that this report would be communicated to the shareholders. Since it was the directors who had made the application, however, it transpired that these were apparently under no legal obligation to publish the contents of the report. The shareholders were at first promised, and that rather tentatively, a mere résumé of the findings, with directorial comments, but it has since been stated in Parliament that the report will be placed in the hands of the shareholders. Still keener public interest was aroused when the directors, notwithstanding an explicit request from the Chancellor that the proposal should be dropped as contrary to the national interest, proceeded with a plan

to transfer the registration of the company to Australia with the avowed object of avoiding double taxation. A Treasury Order was later passed prohibiting such transfers without Treasury sanction.

Exit National War Bonds

While small savings seem to have settled down at a weekly level of a steady £7,000,000, subscriptions to National War Bonds have become increasingly disappointing, falling to a mere £6,710,000 in the week to September 17, before recovering slightly. This was clearly to be expected from the intensified air-raids, to which the natural response of industrial companies is a heightened desire to maintain a strong liquid position. Notwithstanding these unimpressive figures, Mr. Keynes argued in a recent broadcast that the danger of inflation has been greatly exaggerated and that the Savings Movement has succeeded better than its leaders realise. In the City it is felt that this remark would have been more opportune two months earlier, when there was a lull in the expansion of bank credit, than towards the end of a month which has seen the borrowing of no less

than £80,000,000 from the banks against Treasury deposit receipts. Apart from these broader issues, in any case, it is widely felt that the 2½ per cent. National War Bond issue might now advantageously be wound up. From the outset the response of the public has been disappointing, for the £210 million raised in just under three months included the reinvestment of considerable sums paid out in redemption of Conversion 4½ per cent., while recent results have been inflated by bank applications, which undoubtedly account for most of the £46 million increase in bank investments during the past two months. When the terms were fixed it was no doubt felt that a comparatively short-dated issue would most strongly appeal to the large investor. But industrial companies, which can most readily accept a low nominal yield, are reluctant to invest at all under present conditions owing to the risk of air-raid damage to plant; while the large private investor is unwilling and often unable to sacrifice yield to so large an extent for the sake of a date. A fresh issue more on the lines of the 3 per cent. War Loan—which remains steadily above par—would undoubtedly find a good welcome.

Points from Published Accounts

Rolls-Royce.—The interval between the end of the financial year of Rolls-Royce and the appearance of the report is longer than for the majority of companies. The directors' report, dated August 27, 1940, covers the year's trading to the previous December; in the previous year, the directors reported on June 7. Wartime trading, Government contract work and taxation problems doubtless go far to explain this longer interval, which is by no means unique for Rolls-Royce, though it may be inconvenient for some shareholders.

The profit and loss account affords an interesting example of the element of directorial control over published profits. The latest year's figures are struck after paying or providing for all trading expenses, liberal depreciation of buildings machinery and plant, providing for obsolescence, *making provision for the aggregate losses of subsidiary companies, providing for Excess Profits Tax and National Defence Contribution, and for contingencies*. The italicised passage in this extended description of the basis on which profits are struck did not appear in the description of the 1938 profits. Evidently, increased taxation and possibly the contingencies provision might have had a material bearing on the apparent fall in trading results from £479,950 to £464,263.

There is another point which may affect the latest year's profits, although its consequences on the figures are certainly indeterminate. The stock figure is stated at a valuation made by the managing director "at prices not exceeding cost, and after making provision for obsolescence." In the previous year's report the stock figure was shown at a valuation made by the managing director "on a consistent basis below full cost, and after making provision for possible obsolescence." It is not clear whether the slight verbal difference in the formula has any material bearing on the apparent fall in the company's profits. But conceivably the adjustment of the stock figure and the unstated provisions before profits are disclosed may give the directors an important element of control over the final results.

ASSOCIATED BRITISH PICTURE CORPORATION.—In normal times, it is regarded as desirable to reduce the interval between the end of a company's financial year and the publication of the accounts. The average delay

between the two events is generally less than the period of over five months which has occurred in the case of Associated British Picture Corporation's latest report to March 31 last. But in this case the longer interval has proved its worth. Had the directors reported in July (as they did in the previous year) they might justifiably have considered the profits sufficiently satisfactory to pay an ordinary dividend.

The actual report, however, has coincided with the extension of aerial warfare over London and other large cities. Study of the list of cinemas owned or controlled by the Corporation (which appears with the report) suggests that the directors' decision to omit a dividend payment has been fully justified. The case is an interesting corrective to the too common assumption that the profits of each year stand alone, and deserve to be dealt with on their own merits. An accounting year is, in fact, a quite arbitrary slice from a continuous profit-earning process. And the results of that year have to be distributed in accordance with the directors' estimate of future contingencies. For large property-owning businesses, like Associated British Picture Corporation, those contingencies are all too plainly evident in the present.

Union Cold Storage.—If there is one certain annual exercise for the commentator on company reports, it is to discuss the deficiencies of the Union Cold Storage Company's accounts. It is well known, of course, that the public has no equity interest in the company, and the fact that the ordinary capital is privately held has been advanced in mitigation of the uninformative accounts which are distributed to the preference shareholders. But the fact that the preference dividends have been regularly forthcoming does not set aside the presumption that all shareholders, of whatever class, require the fullest information regarding the fortunes of the companies in which they are interested.

The latest report, however, suggests other points than the well-worn arguments for consolidated figures. A single profit item is shown in the accounts, described as "Balance of working accounts and other receipts (including dividends from and after deducting certain losses of subsidiary companies . . .) after providing

for Excess Profits Tax." The latest year's item however, includes a note to the effect that the disclosed profit includes a credit resulting from an alteration in the method of dealing with Voyage Accounts, which credit is more than covered by the undistributed profits (partly estimated) of subsidiary companies for the year.

It is evident from the amplification of the basis on which profits are derived from subsidiaries (which is set out in the directors' report for the purpose of Section 126 of the Companies Act) that the subsidiary companies, in the aggregate, have earned considerably more than the amounts which have been paid to the parent company in dividends, although these latter dividends appear to include, in some cases, profits of subsidiaries earned in prior years. That position, however, is not changed compared with earlier years. The new feature in the profits position is the special credit from the change in voyage account practice. In the absence of compensating circumstances (such as the excess of undistributed profits in the hands of subsidiaries, to which the directors refer) the inclusion of this credit would represent resort to exceptional accounting methods, akin to the famous budget in which the beer duty was forestalled, and income tax instalments were anticipated. In theory, at least, any exceptional credit of this type which did not accrue from trading so much as a change in accounting practice is better placed to reserve, and not incorporated in distributable profits. That presumption is strengthened in this instance by reason of the fact that the subsidiary companies themselves evidently retained more than sufficient

profits to make good the exclusion of the credit from the profits figure.

Arthur Guinness Son & Co.—Arthur Guinness, Son & Co., with the companies whose reports have been discussed in the two preceding notes, completes a trio of important concerns which do not assist the convenience of their shareholders by providing comparative figures. The company's method of setting out the cost of the dividend is interesting, though perhaps it does not represent a valuable contribution to the practice of companies in the much-debated question of the treatment of income tax. The company's profits are evidently struck on a "net" basis, after provision for all taxation. Hence the dividends must also be shown net. But it is the company's practice, however, first to show the gross dividends and then to calculate the amount of tax to be deducted, leaving a net figure in the profit and loss account. Unfortunately for any shareholder who wishes to calculate the rate of ordinary stock earnings, the directors group the interim dividends on the preference and ordinary capital and deduct a composite figure for income tax on the two dividends. The same process is also applied to the final dividends. Hence, to find net ordinary earnings, the stockholder is put to the trouble of calculating for each of the two income-tax figures the parts which are attributable to the preference and ordinary distributions respectively. The company's arithmetical demonstration showing the deduction of income tax from the gross dividends hardly appears to compensate the stockholder for this gratuitous exercise in simple proportion.

Society of Incorporated Accountants

RESULTS OF EXAMINATIONS

Passed in Final

Order of Merit

WARD, STANLEY, Clerk to E. Turner & Co., Rochdale. (*First Certificate of Merit and First Prize*.)

COLLIER, GEORGE METCALFE, Deputy Borough Treasurer, Ryde, I.O.W. (*Second Certificate of Merit. Disqualified for Prize by age limit.*)

PARKIN, BASIL HENRY, Clerk to L. A. Tomlinson, Nottingham. (*Third Certificate of Merit and Third Prize*.)

Alphabetical Order

ASHWORTH, JOHN HARVEY, Clerk to Ashworth, Moulds & Co., Burnley.

ASLETT, NORMAN WILLIAM, Clerk to Carter, Clay & Lintott, Basingstoke.

BEATTIE, ROBERT BARHAM, Clerk to J. & R. Morison & Co., Perth.

BENFIELD, DONALD PHILIP, Clerk to Armitage, Norton, Boyce & Co., London.

BENNETT, SIDNEY JAMES, Clerk to H. Bartlett & Co., London.

BERRISFORD, HENRY JOHN, Clerk to Bourner, Bullock & Co., Stoke-on-Trent.

BLACK, ALEXANDER REAPER, Clerk to Edwards & Edwards, Dorchester.

BLAKE, DENIS ALDISS, Clerk to Allan, Charlesworth & Co., London.

BOOHAN, DANIEL ERNEST, Clerk to Walter Johnson & Partners, Swindon.

BOOTH, LESLIE, Clerk to Buckley, Hall, Devin & Co., Hull.

BOSE, SATYA PREO, B.Com., B.L., Clerk to Lewis, Leaf & Co., London.

BRADSTREET, NORMAN WILLIAM, Clerk to J. G. Bennett (Bennett & Grainger), London.

BRETHERTON, THOMAS, Clerk to Norman Sacker (Gregory & Sacker), Bournemouth.

BREWERTON, STANLEY, Clerk to F. R. Thurlow (Gill & Thurlow), Bradford.

BROAD, ROBERT WILLIAM, Clerk to F. Phillips (Phillips & Dagleish), London.

BROWN, ARTHUR, Clerk to Alfred Brown & Co., Manchester.

BROWN, STANLEY AUBREY, Borough Treasurer's Office, St. Helens.

BUMSTEAD, FRANCIS ALBERT STEPHEN, Clerk to Tribe, Clarke & Co., Bristol.

BURSTOW, WILLIAM JOHN, Clerk to Cox, Smith & Co., London.

CARELESS, STANLEY JAMES, Clerk to J. Edgar Jordan & Co., Wolverhampton.

CARTER, RICHARD JOHN, Clerk to Henry Horrocks, Bridgend, Glam.

CHAPMAN, WILFRID LONGSTAFF, Clerk to William S. Ogle, Sons & Porter, London.

CHESTER, FREDERICK THOMAS GEORGE, Clerk to Peat, Marwick, Mitchell & Co., London.

CLOUGH, SYDNEY, Clerk to J. Butterworth, Borough Treasurer, Wigan.

CONNOR, FRANCIS ALFRED, Clerk to Chalmers, Wade & Co., Liverpool.

COWARD, JOSEPH, Clerk to J. R. Ivison (E. J. White & Co.), West Hartlepool.

CUTLER, BASIL, Clerk to S. Byrne, London.

DABILL, EDWARD, Clerk to S. Leaman, City Treasurer, Salisbury.

DAS, MANINDRA CHANDRA, B.A., formerly Clerk to A. M. Roy & Co., Calcutta.

DAS, UMES CHANDRA, M.A., B.Sc., Clerk to William Pickles, Manchester.

DOWNDAR, WILLIAM FREDERICK, City Treasurer's Department, Gloucester.

ELSWORTH, ARTHUR CLIFFORD, Clerk to O. G. Taylor & Garbutt, York.

FIELD, HENRY GEORGE, Clerk to R. A. Slipper (Slipper & Co.), London.

FOLEY, PATRICK AUGUSTINE, Clerk to J. A. Kinnear & Co., Dublin.

FOUNTAINE, ROY CHARLES JAMES, Clerk to A. E. Hook & Co., Newport, I.O.W.

FREDS, RONALD VICTOR, Clerk to J. H. Butcher (Grant & Butcher), Romford.

Final—Continued.

FULLWOOD, NORMAN EDWARD, formerly Clerk to A. E. Smith, Doncaster.

GILBERT, ARTHUR ERNEST, Clerk to Parsons & Joliffe, Newport, Mon.

GOAD, REGINALD WILLIAM, Clerk to Percival White (White & Pawley), Plymouth.

GRAMMER, DONALD ERNEST, Clerk to Cash, Stone & Co., London.

GREEN, THOMAS, Clerk to Binder, Hamlyn & Co., London.

GUNBY, STANLEY JOHN, Clerk to Alfred G. Deacon & Co., Leicester.

HAINS, FRANK CHRISTOPHER GUY, Clerk to G. S. Hayhow (Harper-Smith, Hayhow & Co.), King's Lynn.

HARGREAVES, FRANK, Clerk to Thomson, McLintock & Co., Manchester.

HARVEY, WILLIAM, Newtownards Borough Council, Northern Ireland.

HELMORE, KENNETH WILLIAM, Clerk to Miall, Savage, Avery & Co., London.

HIND, GEORGE EDWARD, City Treasurer's Department, Salford.

HOLT, SAMUEL, Borough Treasurer's Office, Bury.

HUGHES, JAMES LEONARD, Clerk to Charles Tunnington (Langton & MacConnaill), Liverpool.

IRWIN, CHARLES ALFRED, Clerk to Jackson, McCann & Co., Belfast.

IVES, PHILIP LIONEL, Clerk to Carter & Co., London.

JAMES, NORMAN JOSEPH, Clerk to Peter G. S. Ritchie (Wm. H. Jack & Co.), London.

JAWALKAR, DHONDO GOVIND, M.A., formerly Clerk to S. R. Mandre, Bombay.

KERNAGHAN, FREDERICK LIVINGSTONE, Clerk to Crawford & Allen, Belfast.

KEYWORTH, JOHN STUART, Clerk to Hodgson, Harris & Co., Grimsby.

KRAMER, ARTHUR SAMUEL, Clerk to L. H. F. Pinhorn (Stanley F. Stephens & Co.), London.

LACK, BRIAN MARTYN, Clerk to H. W. Pratt (H. W. Pratt, Pollard & Co.), Wellingborough.

LANE, RONALD WILLIAM, Clerk to Brooke-Smith, Burridge & Co., Bristol.

LAWLER, JOSEPH PATRICK, formerly Clerk to S. A. Martin, Dublin.

LEARY, WILLIAM RICHARD DAVIS, Clerk to J. H. Barton, Dublin.

LEE, RICHARD TRAPNELL, Clerk to Thomas W. Watts, Middlesbrough.

LEES, FREDERICK WILLIAM, Clerk to Hartley, Turner & Son, Manchester.

LUNNEN, REGINALD CHARLES HENRY, Clerk to Carpenter, Arnold & Turner, Brighton.

MCCORMACK, WILLIAM JOSEPH, Clerk to W. A. Deevy & Co., Waterford.

McELVAINE, WILLIAM FREDERICK JOHNSON, Clerk to Crawford & Allen, Belfast.

MCNUTT, JAMES SCOTT, Clerk to Rawlinson, Allen & White, Sligo.

MARTIN, FREDERICK VICTOR, Clerk to W. N. Barnes & Co., London.

METCALFE, STANLEY, Clerk to Thomas W. Watts, Middlesbrough.

MOORE, DERRICK PHILIP, Clerk to Daffern & Co., Coventry.

NAYLOR, JOHN, Clerk to J. K. Pollitt (J. A. Harris & Co.), Barnsley.

NEWALL, HARRY, Clerk to Lloyd Williams & Sunter, Wrexham.

NICHOLAS, CECIL ALFRED, Clerk to B. Davies (B. Davies & Co.), Merthyr Tydfil.

OWEN, JOHN HUMPHREY YNYR, Clerk to J. G. Lea, Borough Treasurer, Borough of Brentford and Chiswick, London.

PAGE, WILLIAM FRANK, Clerk to William Fisk, Borough Treasurer, Maidstone.

PATTERSON, GRAHAM, Clerk to Chas. E. Rogerson (G. A. Marriott, Rogerson & Co.), Manchester.

PORTER, ROBERT WILLIAM, Borough Treasurer's Department, Slough.

PORTER, VICTOR HENRY, Clerk to Payne, Stone, Fraser & Co., London.

QUAIL, HARRY, Clerk to Hodgson, Harris & Co., Hull.

RAMSDEN, NORMAN WILFRED, Clerk to J. Herbert Haley (J. Herbert Haley, Son & Co.), Bradford.

RAY, ALFRED GEORGE, Clerk to Ronald R. Nash & Co., London.

REES, RONALD, Clerk to Ashmole, Edwards & Goskar, Swansea.

RHODES, JOSEPH GLYN PASHLEY, Clerk to Rhodes, Stringer & Co., Bradford.

ROFF, GILBERT, Clerk to Peat, Marwick, Mitchell & Co., London.

ROGERS, ARTHUR NORMAN, Clerk to Prideaux, Frere, Brown & Co., London.

SALES, STANLEY RAYMOND, Clerk to E. V. Amsdon (Amsdon, Cossart & Wells), London.

SAVIDGE, JOHN CHARLES MAXWELL, Clerk to Morris Lodge, Borough Treasurer, Weymouth.

SCOTT-TAGGART, JACK HARRY, Borough Treasurer, Berwick-upon-Tweed.

SEARLE, ARTHUR JOHN, Clerk to Lowick & Simpson, Bristol.

SENIOR, RALPH HOCKEY, Clerk to E. Cassleton Elliott (Cassleton Elliott & Co.), London.

SHAH, JAYANTILAL SANKALCHAND, B.Com., formerly Clerk to Dalal & Shah, Bombay.

SIRCAR, SACHINDRA NATH, B.A., B.L., formerly Clerk to Pix & Barnes, London.

SMITH, FRANK, Clerk to Peat, Marwick, Mitchell & Co., Leeds.

SMITH, HARRY, Borough Treasurer's Department, Watford.

SPENCE, LAURENCE JOHNSTON, Clerk to W. T. Walton, Son & Rowland, Stockton-on-Tees.

SRINIVASAN, HIREMAGALUR RAMIENGAR, B.A., formerly Clerk to S. R. Mandre & Co., Bangalore.

STEWART, JOHN MCKENZIE, Clerk to Charlton, Long, Loughton & Wintle, Birmingham.

SULLIVAN, CHARLES, Clerk to H. B. Brandon & Co., Belfast.

SWAN, STANLEY, Clerk to A. J. Ingram & Co., Sunderland.

TAYELOR, KENNETH MACY, Clerk to H. T. Salmon & Co., London.

THOMAS, JOHN STANLEY, Clerk to Larking & Larking, Canterbury.

THOMAS, WILLIAM JAMES, Clerk to Allan, Charlesworth & Co., London.

TODD, BERNARD VERE, Clerk to A. E. Turberville & Co., London.

TRIMMER, EDWARD BERTIE, Clerk to Deloitte, Plender, Griffiths & Co., London.

WARDROP, THOMAS LETTS, Clerk to Festus Moffat, Falkirk.

WESTAWAY, RONALD FRED WILLIAM, Clerk to J. F. Mallabar & Co., London.

WILD, REGINALD JOHN, Clerk to John Draper (John Draper & Son), Bradford.

WILFORD, ALBERT EDWARD, Clerk to Arthur Gait, Newport, Mon.

WILLIAMS, ALBERT, Clerk to Cyril Arnold (C. Arnold & Co.), Rhyl.

WILLIAMS, ALFRED, Clerk to Peat, Marwick, Mitchell & Co., Newcastle-upon-Tyne.

YOUNG, ERNEST JOHN, Clerk to Jones, Robathan, Thompson & Co., London.

SUMMARY:*3 Candidates awarded Honours.**110 Candidates passed.**102 Candidates failed.***215 Total.****Passed in Intermediate***Order of Merit*

KEMP, WILLIAM ALFRED, Clerk to Hughes & Allen, London, (*First Place Certificate. Disqualified for Prize by age limit.*)

CHAPMAN, NORMAN HARCOURT, B.Com., Clerk to Price, Waterhouse & Co., London. (*Second Place Certificate and Prize.*)

HARRISON, JOHN CANNELL, Clerk to N. J. Haddon, Borough Treasurer, Bacup. (*Third Place Certificate and Prize.*)

MOZLEY, ERIC, Clerk to Frank Hall, Leeds, (*Fourth Place Certificate.*)

Intermediate.—Continued.

ANNISON, JOHN HAROLD, Clerk to F. L. Thomerson, Brighton. (*Fifth Place Certificate*.)
WILKINSON, GEORGE ALDERSON, Clerk to Geo. Blakelock (Laverick, Walton & Co.), Sunderland. (*Sixth Place Certificate*.)

Alphabetical Order

ALEXANDER, ADAM RONALD, Clerk to Peat, Marwick, Mitchell & Co., Swansea.
ANNESLEY, ARTHUR, Clerk to Alfred Laban, Son & Co., London.
ARCHER, LESLIE CHAPMAN, City Treasurer's Department, Birmingham.
AUERBACH, CYRIL JAMES, Clerk to Joel Auerbach, London.
BAILES, ERIC GEORGE, Clerk to J. Paterson Brodie & Son, Stoke-on-Trent.
BAKER, DENNIS CROFT, Clerk to R. Hood Coulthard, Borough Treasurer, South Shields.
BALFOUR, THOMAS, City Treasurer's Office, Carlisle.
BALKIN, SAMUEL, Clerk to J. Hart (Hart & Co.), London.
BARNES, COLIN COOPER, Clerk to C. H. Wells (Wells & Richardson), Sheffield.
BELL, THOMAS, Clerk to A. J. Ingram (A. J. Ingram & Co.), Sunderland.
BENBOW, SYDNEY BRIAN, Clerk to Clifford Geipel (W. G. A. Russell & Co.), Birmingham.
BERRY, CHARLES GEORGE, Clerk to Arthur D. Saward & Co., London.
BLAIR, JOHN COULTER, Clerk to Hill, Vellacott & Bailey, Belfast.
BOORMAN, VICTOR DOUGLAS, Clerk to R. H. Munro (R. H. Munro & Co.), London.
BRADBURY, HERBERT ARTHUR, Clerk to C. J. Dalton (William C. Ribbeck & Co.), Dublin.
BRENNAN, MAURICE, B.Com., Clerk to R. L. Reid (Purtill & Co.), Dublin.
BROADLEY, KENNETH ROJAND, Clerk to Fredk. & C. S. Holliday, Leeds.
BROWN, GEORGE CHARLES ABBOTT, formerly Clerk to Crane, Houghton & Crane, London.
BROWN, KENNETH VINCENT, Clerk to F. W. Flint (Boaler & Flint), Nottingham.
BUTLER, NORMAN EDWARD, City Treasurer's Department, Norwich.
CARLISLE, THOMAS, Borough Treasurer's Department, Middleton, Lancs.
CARR, LESLIE ARTHUR, Clerk to Smith & Harting, London.
CAVANAGH, JAMES WILLIAM, Clerk to Porter, Matthews & Marsden, Blackburn.
CHARMAN, RONALD WILLIAM, Clerk to C. A. H. Holloway, Shoreham-by-Sea.
CHATTERJEE, SUDHIR KUMAR, B.A., formerly Clerk to Batliboi & Purohit, Calcutta.
CLARK, KENNETH BERNARD, Clerk to Ernest Weston & Co., Sheffield.
COX, HARRY, Clerk to Freda G. Crick (Swallow, Crick & Co.), Peterborough.
CUTTS, MICHAEL ARTHUR, Clerk to C. F. Rumble (Clarkson & Rumble), London.
DAVEY, PERCIVAL JAMES, Clerk to Sissons, Bersey, Gain, Vincent & Co., London.
DAVIES, ALLAN WILLIAM ALFRED, Clerk to S. G. Dowden (Edward Bicker & Son), Bournemouth.
DAWE, WILLIAM HENRY, Clerk to F. J. Beeches (Duart-Smith, Baker & Price), Gloucester.
DYER, ARTHUR FREDERICK, Clerk to Frank W. Hanson, Castleford, Yorks.
FICKLING, KENNETH HAYDN, Clerk to P. A. Hayes (Alban & Lamb), Cardiff.
FINNEY, BERNARD ROTHWELL, Clerk to William Forsyth, Borough Treasurer, Widnes.
FITZELL, WILLIAM HENRY, Clerk to W. H. Baskin (Cooper & Kenny), Dublin.
GODBER, FREDERICK HARRY, Clerk to A. E. Townsend (Rogers, Son & Co.), Nottingham.
GODBER, NORMAN PHILIP, Clerk to Newman, Biggs & Co., Birmingham.
GURR, ARTHUR JOSEPH, Clerk to Assheton, Lowe & Co., London.
HALL, RAYMOND, Clerk to Joshua Wortley & Sons, Sheffield.
HARDWICKE, FRANK ALBERT, Clerk to F. H. Hardwicke, Stoke-on-Trent.
HARPER, ROBERT LISTER, Clerk to Peat, Marwick, Mitchell & Co., Middlesbrough.
HILL, LAURENCE ROLAND, Clerk to F. W. Buzzacott (Buzzacott, Lillywhite & Co.), London.
HOPKINS, HORACE RONALD, Clerk to Wykes & Co., Leicester.
HOWELL, RICHARD FRIEND, Clerk to A. F. Kimpton (Kimpton, Holland & Co.), Newport, Mon.
HUDSON, LESLIE WALTER, Clerk to Nasmith, Coutts & Co., Manchester.
HUMPHREYS, GEORGE, Treasurer's Department, Urban District Council, Newton-le-Willows.
JAMES, TOM ROLAND, Finance Department, Bedwellty Urban District Council, Bargoed, Glam.
JOHN, JAMES RAYMOND, Clerk to T. W. Jones (Hubert & Winston Jones), Swansea.
JONES, DONALD SIMON, Clerk to R. A. Wetherall, Borough Treasurer, Swansea.
KAY, JOHN WINDER, Clerk to E. Eckersley, Borough Accountant, Darwen.
KEAR, HERBERT THOMAS BRITTON, Clerk to R. Prince (Ernest A. Prince & Son), Cardiff.
KENNEDY, THOMAS EDWARD, Clerk to Edward C. Comerton, Belfast.
KERSHAW, CLIFFORD HAROLD, Clerk to J. W. Richardson (Wells & Richardson), Sheffield.
KRISHNAMOORTHY, Bangalore, formerly Clerk to S. R. Mandre & Co., Bangalore, South India.
LENTELL, DOREEN JOY, Clerk to C. I. Lentell, Seaton.
LEWIS, DONALD JAMES, Clerk to V. B. Gwillim, Wolverhampton.
LIGHT, HERBERT, Audit Department, Co-operative Wholesale Society, Ltd., London.
LISTER, JOHN VERNON, Clerk to Lomax, Clements & Co., London.
LONG, JOHN JARLATH, Clerk to R. P. J. Smyth (Stritch & Smyth), Dublin.
MCCULLAGH, WILLIAM, Clerk to P. J. Purtill (Purtill & Co.), Dublin.
MACK, CHARLES MUNCHIN, Clerk to Rawlinson, Allen & White, Larne.
MACK, REGINALD JOHN, B.Com., Clerk to James, Edwards & Co., London.
MCINTOCK, DAVID HAMILTON BURNS, Clerk to Felton & Co., Birmingham.
MARTEL, GEORGE FREDERICK, Clerk to C. W. Legge (Cinch Legge & Co.), Seaford.
MASON, JOHN HORSLEY, Clerk to Bertram Mortimer (Percy Pemberton & Co.), Leeds.
MELLILIEU, HARRY, Borough Treasurer's Office, St. Helens, Lancs.
MOORE, WILLIAM KEITH, Clerk to H. R. Horne (Nutt, Horne & Co.), Derby.
NELSON, JOHN, Clerk to James A. Scott, Town Chamberlain, Kilmarnock.
O'BRIEN, PEARSE PATRICK, B.A., Clerk to J. M. Jamieson, Dublin.
OGBORNE, STANLEY HERBERT, Clerk to Tribe, Clarke & Co., Bristol.
PARROTT, JAMES NEWCOME, Clerk to L. Jordan (Keens, Shay, Keens & Co.), Bedford.
PEACE, GEOFFREY STANCLIFFE, Clerk to W. Dawson & Son, Dewsbury.
PHILLIPS, HAROLD VICTOR, Clerk to Percy V. Wheeler (Harper, Kent & Wheeler), Shrewsbury.
POVEY, CHARLES, Clerk to H. B. Platts (H. Bennett Platts & Co.), Nottingham.
RIXON, FRANK JAMES, Clerk to Thomson McLintock & Co., Manchester.
ROBERTS, DAVID GLYN, Clerk to F. R. Tillett (Fitzhugh, Tillett & Co.), London.
ROBINS, PHILIP, City Treasurer's Department, Canterbury.
ROSE, RONALD HARRY, Clerk to Blackburn, Wilton & Co., London.
ROTHWELL, JAMES, Clerk to N. K. Heatley (Robert Heatley & Co.), Manchester.

Intermediate.—Continued.

RUSHTON, GEORGE ERIC, Clerk to J. C. Haworth (Henry Sykes, Haworth & Co.), Bradford.

RUTTER, RAYMOND MERVYN STEPHEN, Clerk to Beavis, Walker & Co., London.

RYAN, JOHN, Clerk to R. A. O'Neill, Limerick.

SANMUGAPALASOORIAR, NICHOLAS MUTHIAH, formerly Clerk to C. N. Bourne, London.

SAXON, RONALD, Clerk to H. Forster, Macclesfield.

SCHRIER, MORTIMER, Clerk to H. Rainsbury & Co., London.

SCOTT, RAYMOND JAMES, Clerk to R. W. L. Clench (Clench, Hewitt & Co.), London.

SHEIL, JAMES HENRY, Clerk to Stritch & Smyth, Enniscorthy, Co. Wexford.

SHIPTON, GEORGE AMBROSE, Clerk to I. P. Ray (Solomon Hare & Co.), Bristol.

SLATER, ERIC, Clerk to Stanley, Holmes & Co., London.

SPILLANE, JOHN ALBERT, B.Comm., Clerk to J. Kirby (Kirby & Kirby), Cork.

STARKE, DONALD BRACKLEY, Clerk to S. Leaman, City Treasurer, Salisbury.

STURT, LESLIE JOHN, Clerk to A. G. Mortimer, London.

TAYLOR, JOHN FALLOWS, Clerk to S. Croudson (S. Croudson & Co.), Leeds.

THOMAS, EDWARD GLYN, Clerk to A. E. J. Holland (Kimpton, Holland & Co.), Newport, Mon.

THOMAS, WILFRED JAMES, Clerk to Highfield, Prichard & Mumby, Liverpool.

TODD, WILLIAM JOHN, Clerk to W. L. H. Rodden, Sinclair & Co., Belfast.

TOWNSEND, ALFRED WILLIAM HENRY, Clerk to D. Sirkin (Baker & Co.), Leicester.

VAYRO, RONALD, Clerk to Robinson, Coulson, Kirkby & Co., Scarborough.

WADGE, DESMOND FENWICK, Clerk to T. W. Scollick (Forster, Scollick & Co.), Newcastle-upon-Tyne.

WALDRON, CHARLES ARTHUR, Clerk to F. H. Taylor (Jennings, Taylor & Co.), London.

WARNEFORD, GORDON POLLARD, Clerk to K. Burrow, Bradford.

WESTMORE, PETER, Clerk to F. Woolley (Woolley & Waldron), Southampton.

WHITEHEAD, LEONARD RAYMOND, Clerk to J. N. Struthers (Beever & Struthers), Manchester.

WILLIAMS, ALBERT JAMES, Clerk to A. Boaler (Boaler & Flint), Nottingham.

WILSON, LEONARD FREDERICK, Clerk to C. F. Middleton & Co., London.

YATES, CYRIL, Clerk to Walton, Watts & Co., Manchester.

SUMMARY :—

6 Candidates awarded Honours.
106 Candidates passed.
112 Candidates failed.

224 Total.**Passed in Preliminary***Order of Merit.*

MATTHEWS, KENNETH JOHN, 54, Leander Road, Thornton Heath, Surrey. (*First Place Certificate and Prize.*)

EDWARDS, JOHN, 59, George Street, Coventry. (*Second Place Certificate.*)

Alphabetical Order.

AKED, DONALD WILFRED, 5, Ashbourne Grove, Halifax.

BRATT, THOMAS PETER, 20, Watlands Avenue, Wolstanton, Staffs.

CLEAVER, RICHARD JOHN, 82, Barton Road, off Groby Road, Leicester.

CLOUT, WILFRID CHARLES, 131, Lowther Street, Groves, York.

CUTHBERT, ALFRED, 12, Epping Terrace, Rodney Street, Hull.

DAVISON, FREDERICK ARTHUR, The Mount, Heckmondwike, Yorks.

DEVLIN, FRANCIS JOSEPH, 39, Norfolk Parade, Belfast.

FORSYTHE, SIDNEY JOSEPH ALEXANDER, 6, Cameron Street, Botanic Avenue, Belfast.

GATES, DENNIS SINGLETON, 54, Kirby Road, North End, Portsmouth.

GORSUCH, ROBERT FREDERICK, 22, Coppice Avenue, Lower Willingdon, Eastbourne.

GREY, JOHN, 13, Baring Street, South Shields, Co. Durham.

HANNA, ROBERT ALAN, 43, Rosevale Street, Belfast.

HEMINGWAY, EDWARD THOMAS, c/o Messrs. Stritch & Smyth, Enniscorthy, Co. Wexford.

HIGHTON, WILLIAM, 12, Todd Street, Higher Broughton, Salford, 7.

HILL, JOHN, 31, Newcome House, Powell Road, Clapton, London, E.5.

HILL, RONALD ALFRED, 1, Tyrone Road, East Ham, London, E.6.

JOHNS, CHARLES HENRY, 36, Ross Road, South Norwood, London, S.E.25.

LEWIS, GWILYN, 26, Nightingale Street, Abercairaid, Merthyr Tydfil.

MACCONNACHIE, CHARLES MACDONALD, Wedley Park House, Shenley Fields Road, Selly Oak, Birmingham, 29.

MACDERMOTT, BRIAN MELVILLE, 185, Mount Prospect Avenue, Clontarf, Dublin.

MARSHALL, MAURICE PETER, 14, The Stiles Road, Howth Road, Clontarf, Dublin.

MITCHELL, JOSEPH ALEXANDER, Keld House, Orton Road, Carlisle.

MORRIS, WALTER FREDERICK, 61, Blythe Hill Lane, Catford, London, S.E.6.

NEWTON, GEOFFREY HAROLD, 74, Bankhurst Road, Catford, London, S.E.6.

POTTER, LIONEL ARTHUR, 40, Wicklow House, Stamford Hill, London, N.16.

QUIN, ALAN MALCOLM, "Ands dell," 152, Howth Road, Clontarf, Dublin.

ROBINSON, FREDERICK, "The Cottage," Oakwood Hall, Leeds.

SCOTT, ERIC LESLIE, 205, Westrow Drive, New Barking, Essex.

SLIPPER, ROY JAMES FREDERICK, 86, Haven Green Court, Ealing, London, W.5.

SLORACH, ALEXANDER JAMES, 3, Easton Crescent, Cliftonville, Belfast.

TITTERINGTON, JOHN, Trumra Villa, Moira, Lurgan.

TRETHEWEY, GLYN, "The Bungalow," Ford Park, Plymouth.

THURSTANS, STANLEY HARRY, 62, Oakfield Road, Cannon Hill, Birmingham.

TURTLE, REGINALD RONALD, 88, Manor Park Road, West Wickham, Kent.

WHITTAKER, KENDAL, 62, Wrigley Head, Failsworth, Manchester.

WHITE, HARRY, 742, Rochdale Road, Royton, near Oldham.

WHITE, WILLIAM CHARLES, 38, Bromley Road, Leyton, London, E.10.

WILSON, ARTHUR JOHN, 9, Myers Avenue, Bolton, Bradford.

WRIGHT, THOMAS GEORGE CHATTERTON, 12, Monksdene Gardens, Sutton, Surrey.

SUMMARY :—

2 Candidates awarded Honours.

39 Candidates passed.

41 Candidates failed.

82 Total.**DISTRICT SOCIETIES****LONDON AND DISTRICT STUDENTS' SOCIETY***Syllabus of Lectures, Autumn 1940*

Tuesday, October 15, 1940, at 5 p.m. Lecture: "Practical Points on Excess Profits Tax." By Mr. H. A. R. J. Wilson, F.C.A., Incorporated Accountant.

Tuesday, November 12, 1940, at 4.30 p.m. Lecture: "The effect of the War on Economic Problems." By Mr. Leo T. Little, B.Sc.

Tuesday, December 10, 1940, at 4 p.m. Lecture: "The Auditor's Responsibilities as affected by War-time Legislation." By Mr. C. N. Walter, Incorporated Accountant.

The meetings will be held at Incorporated Accountants' Hall at the times stated above.

BENGAL**Officers and Committee**

The following have been elected officers and committee of the Bengal District Society for 1940-41: President, Mr. M. D. Darbari; Vice-President, Mr. N. Sarkar; Hon. Secretary, Mr. G. Basu; Hon. Treasurer, Mr. S. K. Ghosh; Committee: Mr. V. F. Viccagee, Mr. S. K. Kar, Mr. N. F. Master, Mr. S. K. Sen, Mr. A. M. Mukherjee, Mr. P. K. Mitra, and Mr. D. N. Banerjee. Mr. J. Sen was re-elected Honorary Auditor.

Report

The Committee have pleasure in submitting to the members their report on the activities of the Society for the year ended March 31, 1940.

MEMBERSHIP

Nine students were added to the list of members. The Committee earnestly hope that all Incorporated Accountants will join this Society in their own interests.

SOCIAL EVENTS

The annual dinner was held in Behala. Mr. A. L. Sahgal, Secretary, Indian Accountancy Board, Mr. N. Dandekar, I.C.S., A.S.A.A., and Mr. C. S. Mullen, I.C.S., Commissioner of Income Tax, Bengal, were entertained.

STUDENTS' SECTION

The Committee again invite greater support for the Students' Section. Owing to the small number of articled clerks this section has not been as active as it should be.

INCOME TAX

The Committee met the Member, Central Board of Revenue, Government of India and discussed various matters of interest to the profession in relation to income tax. The Committee submitted a memorandum on the Excess Profits Tax Bill, and also on Depreciation Rates. The Committee were in close touch with the Commissioner of Income Tax, Bengal.

CONSULTATIVE COMMITTEE

The Consultative Committee has rendered useful assistance to members.

REPRESENTATION TO THE PARENT SOCIETY

Mr. N. F. Master, a member of this Society, who was on a visit to England, met the officials of the Parent Society.

BOMBAY**Annual Report**

The Committee has much pleasure in presenting to the members its 11th annual report.

MEMBERSHIP

The total membership remains unchanged at 50.

THE LATE MR. K. S. AIYAR

It is with a sense of profound grief that the Committee has to record the death in January last of Mr. K. S. Aiyar, the first president of the Bombay Society, who inspired its progress during its early years.

STUDY CIRCLE

The Study Circle has completed another year of its very useful existence. It has, ever since its inception in 1933, provided an excellent forum for the solution of a number of knotty points of practical interest to members. For the success of the Study Circle the Society's thanks are due to Mr. R. K. Dala.

EXCESS PROFITS TAX

Within a short time after the outbreak of the present European hostilities the Central Government published the draft of the Excess Profits Tax Bill for eliciting public opinion. The Committee of the Society lost no time in carefully studying the various clauses of the Bill and submitted its views thereon to the Central Government. It is gratifying to note that many of our recommendations have found acceptance in the Act as finally passed by the Legislature.

SOCIAL FUNCTIONS

A luncheon was arranged for members on October 28, 1939. The function was a great success.

Towards the close of the year Mr. A. L. Sahgal, B.A., LL.B., A.C.A., R.A., Assistant Secretary to the Government of

India in the Department of Commerce, was invited as the guest of the Society to lunch with the members at Mongini's. This opportunity was taken to discuss with Mr. Sahgal some points of professional interest. The Committee wishes to record its thanks to Mr. Sahgal, who accepted the invitation despite his indisposition and evinced keen interest in the discussion.

BENGAL AND DISTRICT SOCIETY

The Society has maintained close contact with the Bengal and District Society in respect of questions affecting the profession in India.

BRADFORD**Syllabus 1940-41****1940**

- Oct. 2.—"Sale of Goods," by Mr. R. Cleworth, B.A., LL.B.
- Oct. 16.—Mock Annual General Meeting, arranged by Mr. A. M. Bentley, A.C.A.
- Oct. 30.—"Stock Exchange Procedure," by Mr. W. Bell, M.A.

Nov. 13.—"Estate Duty," by Dr. A. V. Tranter.

Nov. 27.—"Executorship—A General Survey," by Mr. C. Lawton, M.A.

Dec. 11.—"Agency," by Mr. R. M. Priestley, LL.B.

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Jan. 8.—"Income Tax," by Mr. A. Wilson, A.S.A.A.

Jan. 22.—"The Hire Purchase Act, 1938," by Mr. R. Cleworth, B.A., LL.B.

Feb. 5.—To be arranged later.

Feb. 19.—"Some Accounting Problems," by Mr. C. E. Claridge, F.C.A., F.S.A.A.

Mar. 5.—"The Economics of Overhead Costs," by Mr. A. C. Broughton, B.Com., A.S.A.A., A.C.A.

Mar. 19.—To be arranged later.

The meetings, which have been arranged in conjunction with the Bradford and District Chartered Accountants' Students' Association, will be held at the Liberal Club, Bank Street, Bradford, commencing at 6 p.m., and will be preceded by tea at 5.30 p.m.

PERSONAL NOTES

Mr. G. A. Arsmson, Incorporated Accountant, is continuing his practice temporarily at 58, Burnt Ash Lane, Bromley, Kent.

Mr. H. A. F. Brookes, Incorporated Accountant, has commenced public practice at 47, Dale Street, Liverpool.

Mr. H. M. Majumdar, Incorporated Accountant, has commenced to practice under the style of H. M. Majundar & Co., at 8, Old Post Office Street, Calcutta.

REMOVALS

Messrs. Keeling & Co., Incorporated Accountants, have removed their offices to temporary premises at 19, Donovan Avenue, Muswell Hill, London, N.

Messrs. Taylor, Froude & C. R. Riddington, Incorporated Accountants, announce a change of address to Wyvern House, 65, London Road, Leicester.

Mr. R. B. Bose, Incorporated Accountant, has removed his offices to 9, Hastings Street, Calcutta. He will practice in future under the style of R. B. Bose & Co.

OBITUARY**ALFRED HORSFIELD**

We regret to announce the death, on August 12, at the age of 49, of Mr. Alfred Horsfield, F.S.A.A., senior partner of Messrs. Horsfield & Smith, Incorporated Accountants, Bury. On the outbreak of the Great War in 1914, soon after the commencement of his professional career, Mr. Horsfield enlisted in the Lancashire Fusiliers. He was later granted a commission in the Royal Warwickshire Regiment. In 1919 he returned to the office of his former employer, Mr. C. R. Scholes, F.C.A., by whom he was admitted to partnership when he qualified as an Incorporated Accountant in 1922. Mr. Scholes died in the following year and the practice was continued by Mr. Horsfield, who took as a partner Mr. T. S. Smith, Incorporated Accountant. In his leisure hours Mr. Horsfield devoted himself to Freemasonry and had been Worshipful Master of the Earl of Lathom Lodge.